

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of the Southern California Water Company (U 133 W) for an order authorizing it to increase rates for water service by \$18,972,300 or 24.17% in 2006; by \$1,534,500 or 1.57% in 2007; and by \$1,493,900 or 1.50% in 2008 in its Region III Service Area.

Application 05-02-004
(Filed February 1, 2005)

**ADMINISTRATIVE LAW JUDGE'S RULING SETTING
PREHEARING CONFERENCE**

Southern California Water Company (SCWC) filed this application seeking rate increases for in its Region III service area based on increased costs for, among other things, plant investment, capital, operation and maintenance, and administrative and general. SCWC stated that absent a change in rates, its return on rate base would be 4.62% for 2006, which it asserts would be an unjust and unreasonable return. SCWC also requests authorization for escalation increases, based on the escalation year methodology adopted in Decision (D.) 04-06-018.

The Commission's Office of Ratepayer Advocates (ORA) protested SCWC's application as unreasonable or insufficiently justified.

In D.04-06-018, the Commission adopted a three-year cycle for all Commission-regulated Class A water utilities (such as SCWC) to file general rate cases. The cycle requires that each case be completed in a timely manner to enable the Commission staff to begin work on the next cases in the cycle.

Consequently, general rate cases, such as this, must comply with the timetable set out in that decision.

**Decision 04-03-039 and SCWC's
Testimony on Unregulated Operations**

In D.04-03-039, the Commission directed SCWC to “conduct a cost study and analysis that shall be the basis for assigning and allocating costs related to its affiliates,” and to demonstrate that it had in place “management policies and accounting practices” that ensure the terms of SCWC’s holding company authorization decision are fully implemented. (Ordering Paragraph 6.) The Commission imposed these requirements because SCWC had “apparently not been following procedures adopted in its holding company decision.”

In the instant application, SCWC listed allocation of general office and other costs to unregulated operations as a contentious issue in this rate case. SCWC included testimony on this issue. This testimony, however, relies on a methodology previously rejected by the Commission for allocating general office costs, *see* D.03-09-021, *mimeo.*, at pages 23-24, does not address capital costs, and contains no discussion of management policies and accounting practices for affiliates. This issue may require additional direct testimony, and ORA will similarly need additional time to conduct discovery and prepare its report.

Consistent with the Legislative directive in Pub. Util. Code §455.2, the Commission’s paramount goal is to keep this proceeding on its prescribed timetable. Consequently, a procedural means must be devised to address this issue. The parties should be prepared to discuss this issue at the prehearing conference (PHC), scheduled below. Also at the PHC, ORA should identify any other issues where the record is similarly insufficient to proceed.

Prehearing Conference

A prehearing conference is scheduled for:

**Tuesday, April 26, 2005
2 p.m.
Commission Hearing Rooms
San Francisco, California**

Dated, April 6, 2005, at San Francisco, California.

/s/ Maribeth Bushey

Maribeth Bushey
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Setting Prehearing Conference on all parties of record in this proceeding or their attorneys of record.

Dated, April 6, 2005, at San Francisco, California.

/s/ Antonina V. Swansen
Antonina V. Swansen

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, *e.g.*, sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.